

**STATE OF CALIFORNIA  
DEPARTMENT OF MANAGED HEALTH CARE  
HEALTH CARE SERVICE PLAN**

1

## QUARTERLY FINANCIAL REPORTING FORM

Submitted on 2/18/2004 3:47:39 PM

		1
1.	FOR THE QUARTER ENDING:	December 31, 2003
2.	Name:	<b>MEDICAL EYE SERVICES, INC.</b>
3.	File Number:(Enter last three digits)                      933-0	<b>359</b>
4.	Date Incorporated or Organized:	January 16, 1992
5.	Date Licensed as a HCSP:	December 22, 1997
6.	Date Federally Qualified as a HCSP:	N/A
7.	Date Commenced Operation:	
8.	Mailing Address:	345 Baker Street, Costa Mesa, CA., 92626
9.	Address of Main Administrative Office:	SAME
10.	Telephone Number:	(714) 619-4660
11.	HCSP's ID Number:	95-4354242
12.	Principal Location of Books and Records:	345 Baker Street, Costa Mesa, CA., 92626
13.	Plan Contact Person and Phone Number:	Phillip J. Goldberg, Hassard Bonnington (415) 288-9800
14.	Financial Reporting Contact Person and Phone Number:	Nadine Griffin (714) 619-4660
15.	President:*	Aspasia Shappet
16.	Secretary:*	Sylvia Urbaniec
17.	Chief Financial Officer:*	(VP of Finance) Chuck Kupfer
18.	Other Officers:*	Ronald Foltz, MD. / Chair
19.		Lawrence Lonn, MD. / Asst. Secretary
20.		Carter Shrum / Asst. Secretary
21.		Renny Thomas, Sr. / Asst. Treasurer
22.	Directors:*	Bernice Z. Brown, MD.                      Robert Bjorkquist
23.		Ronald Foltz, MD.
24.		Donald Y. Lesser, MD., J.D.
25.		Dennis Metas
26.		Keith Renken
27.		Donald Schwartz, MD.
28.		Carter Shrum
29.		Denis Thompson, MD.
30.		Michael Tiernan
31.		Paul T. Urrea, MD.

The officers listed on lines 15 through 17 of the health care service plan noted on line 2, being duly sworn, each for himself or herself, deposes and says that they are the officers of the said health care service plan, and that, for the reporting period stated above, all of the herein assets were the absolute property of the said health care service plan, free and clear from any liens or claims thereon, except as herein stated, and that these financial statements, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said health care service plan as of the reporting period stated above, and of its income and deductions therefrom for the period reported, according to the best of their information, knowledge and belief, respectively.

32. President	signature required (please type for valid signature)
33. Secretary	signature required (please type for valid signature)
34. Chief Financial Officer	signature required (please type for valid signature)
* Show full name (initials not accepted) and indicate by sign (#) those officers and directors who did not occupy the indicated position in the previous statement.	
35. Check if this is a revised filing, and complete question 7 on page 2:	<input checked="" type="checkbox"/>
36. If all dollar amounts are reported in thousands (000), check here:	<input type="checkbox"/>

Check My Work.

**STATE OF CALIFORNIA  
DEPARTMENT OF MANAGED HEALTH CARE  
HEALTH CARE SERVICE PLAN**

## QUARTERLY FINANCIAL REPORTING FORM

### SUPPLEMENTAL INFORMATION

	1
1. Are footnote disclosures attached with this filing?	Yes <input type="button" value="v"/> See attached file: MES Notes 4Qtr2003
2. Is the attached reporting form filed on a consolidated or combined basis? If "Yes", the plan is required to file consolidating or combining schedules.	Yes <input type="button" value="v"/> See attached file: MES Consolidated Stmts 4Qtr03
3. Is the plan required to file additional information (i.e. parent/affiliate financial statements, claims reports, etc.) that is required by the Department?	Yes <input type="button" value="v"/>
4. Have the Restricted Assets changed from the previous quarterly filing? If "yes", complete Schedule A-2 (Restricted Assets).	Yes <input type="button" value="v"/>
5. Are there any significant changes reported on Schedule G, Section III?	No <input type="button" value="v"/>
6. If "yes", describe:	
7. If this is a revised reporting form, what is/are the reason(s) for the revision?	Medical Eye Services originally submitted the 4th Quarter 2003 filing on Febuary 11, 2004 with "read only" protection. Due to the DMHC IT dept. change in the word document conversion process from Adobe to Active PDF, we have been instructed to resubmit our documents without the "read only" function on the "Notes to Financials Statements".

## STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.

## REPORT #1 ---- PART A: ASSETS

1	2
<b>CURRENT ASSETS:</b>	Current Period
1. Cash and Cash Equivalents	1,386,443
2. Short-Term Investments	1,327,343
3. Premiums Receivable - Net	128,036
4. Interest Receivable	
5. Shared Risk Receivables - Net	
6. Other Health Care Receivables - Net	
7. Prepaid Expenses	123,987
8. Secured Affiliate Receivables - Current	
9. Unsecured Affiliate Receivables - Current	257,886
10. Aggregate Write-Ins for Current Assets	472,725
11. TOTAL CURRENT ASSETS (Items 1 to 10)	3,696,420
<b>OTHER ASSETS:</b>	
12. Restricted Assets	92,053
13. Long-Term Investments	387,091
14. Intangible Assets and Goodwill - Net	
15. Secured Affiliate Receivables - Long-Term	
16. Unsecured Affiliate Receivables - Past Due	
17. Aggregate Write-Ins for Other Assets	82,648
18. TOTAL OTHER ASSETS (Items 12 to 17)	561,792
<b>PROPERTY AND EQUIPMENT</b>	
19. Land, Building and Improvements	4,711,315
20. Furniture and Equipment - Net	662,547
21. Computer Equipment - Net	437,315
22. Leasehold Improvements -Net	0
23. Construction in Progress	0
24. Software Development Costs	116,106
25. Aggregate Write-Ins for Other Equipment	0
26. TOTAL PROPERTY AND EQUIPMENT (Items 19 to 25)	5,927,283
27. TOTAL ASSETS	10,185,495
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR CURRENT ASSETS</b>	
1001. Deferred Income Taxes	73,879
1002. Other Receivables	398,846
1003.	
1004.	
1098. Summary of remaining write-ins for Item 10 from overflow page	
1099. TOTALS (Items 1001 thru 1004 plus 1098)	472,725
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER ASSETS</b>	
1701. Deferred Income taxes	59,023
1702. Debt Insurance Costs	23,625
1703.	
1704.	
1798. Summary of remaining write-ins for Item 17 from overflow page	
1799. TOTALS (Items 1701 thru 1704 plus 1798)	82,648
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER EQUIPMENT</b>	
2501.	
2502.	
2503.	
2504.	
2598. Summary of remaining write-ins for Item 25 from overflow page	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	0

## STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.

## REPORT #1 ---- PART B: LIABILITIES AND NET WORTH

1	2	3	4
<b>CURRENT LIABILITIES:</b>	Current Period		
	Contracting	Non-Contracting	Total
1. Trade Accounts Payable	491,730	XXX	491,730
2. Capitation Payable		XXX	0
3. Claims Payable (Reported)	135,712		135,712
4. Incurred But Not Reported Claims	293,288		293,288
5. POS Claims Payable (Reported)			0
6. POS Incurred But Not Reported Claims			0
7. Other Medical Liability	101,561		101,561
8. Unearned Premiums	78,898	XXX	78,898
9. Loans and Notes Payable	108,461	XXX	108,461
10. Amounts Due To Affiliates - Current		XXX	0
11. Aggregate Write-Ins for Current Liabilities	270,952	0	270,952
12. TOTAL CURRENT LIABILITIES (Items 1 to 11)	1,480,602	0	1,480,602
<b>OTHER LIABILITIES:</b>			
13. Loans and Notes Payable (Not Subordinated)	3,646,777	XXX	3,646,777
14. Loans and Notes Payable (Subordinated)		XXX	0
15. Accrued Subordinated Interest Payable		XXX	0
16. Amounts Due To Affiliates - Long Term		XXX	0
17. Aggregate Write-Ins for Other Liabilities	638,112	XXX	638,112
18. TOTAL OTHER LIABILITIES (Items 13 to 17)	4,284,889	XXX	4,284,889
19. TOTAL LIABILITIES	5,765,491	0	5,765,491
<b>NET WORTH</b>			
20. Common Stock	XXX	XXX	523,642
21. Preferred Stock	XXX	XXX	
22. Paid In Surplus	XXX	XXX	
23. Contributed Capital	XXX	XXX	
24. Retained Earnings (Deficit)/Fund Balance	XXX	XXX	3,813,654
25. Aggregate Write-Ins for Other Net Worth Items	XXX	XXX	82,708
26. TOTAL NET WORTH (Items 20 to 25)	XXX	XXX	4,420,004
27. TOTAL LIABILITIES AND NET WORTH	XXX	XXX	10,185,495
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 11 FOR CURRENT LIABILITIES</b>			
1101. Income tax payable	24,628		24,628
1102. Current Capital Lease	55,822		55,822
1103. Reserve Funding	15,000		15,000
1104. Line of Credit - Current	0		0
1198. Summary of remaining write-ins for Item 11 from overflow page	175,502		175,502
1199. TOTALS (Items 1101 thru 1104 plus 1198)	270,952	0	270,952
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 17 FOR OTHER LIABILITIES</b>			
1701. Long Term Capital Lease	177,382	XXX	177,382
1702. Line of Credit - Long term	0	XXX	0
1703. Deferred Income Taxes	0	XXX	0
1704. Deferred Compensation	460,730	XXX	460,730
1798. Summary of remaining write-ins for Item 17 from overflow page		XXX	0
1799. TOTALS (Items 1701 thru 1704 plus 1798)	638,112	XXX	638,112
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR OTHER NET WORTH ITEMS</b>			
2501. Unrealized Gain/(Loss) on available for sale securities	XXX	XXX	82,708
2502.	XXX	XXX	
2503.	XXX	XXX	
2504.	XXX	XXX	
2598. Summary of remaining write-ins for Item 25 from overflow page	XXX	XXX	
2599. TOTALS (Items 2501 thru 2504 plus 2598)	XXX	XXX	82,708

## STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.

## REPORT #2: REVENUE, EXPENSES AND NET WORTH

	1	2
	Current Period	Year-To-Date
<b>REVENUES:</b>		
1. Premiums (Commercial)	1,194,033	4,706,506
2. Capitation		
3. Co-payments, COB, Subrogation		
4. Title XVIII - Medicare		
5. Title XIX - Medicaid		
6. Fee-For-Service		
7. Point-Of-Service (POS)		
8. Interest	50	315
9. Risk Pool Revenue		
10. Aggregate Write-Ins for Other Revenues	-99,013	-135,152
11. TOTAL REVENUE (Items 1 to 10)	1,095,070	4,571,669
<b>EXPENSES:</b>		
<b>Medical and Hospital</b>		
12. Inpatient Services - Capitated		
13. Inpatient Services - Per Diem		
14. Inpatient Services - Fee-For-Service/Case Rate		
15. Primary Professional Services - Capitated		
16. Primary Professional Services - Non-Capitated	707,619	2,665,450
17. Other Medical Professional Services - Capitated		
18. Other Medical Professional Services - Non-Capitated		
19. Non-Contracted Emergency Room and Out-of-Area Expense, not including POS		
20. POS Out-Of-Network Expense		
21. Pharmacy Expense - Capitated		
22. Pharmacy Expense - Fee-for-Service		
23. Aggregate Write-Ins for Other Medical and Hospital Expenses	0	0
24. TOTAL MEDICAL AND HOSPITAL (Items 12 to 23)	707,619	2,665,450
<b>Administration</b>		
25. Compensation	164,465	633,806
26. Interest Expense	5,266	16,401
27. Occupancy, Depreciation and Amortization	34,296	112,890
28. Management Fees	0	0
29. Marketing	125,334	364,118
30. Affiliate Administration Services		
31. Aggregate Write-Ins for Other Administration	116,756	457,167
32. TOTAL ADMINISTRATION (Items 25 to 31)	446,117	1,584,382
33. TOTAL EXPENSES	1,153,736	4,249,832
34. INCOME (LOSS)	-58,666	321,837
35. Extraordinary Item		
36. Provision for Taxes	-83,787	54,596
37. NET INCOME (LOSS)	25,121	267,241
<b>NET WORTH:</b>		
38. Net Worth Beginning of Period	4,324,897	4,091,530
39. Audit Adjustments		-13,752
40. Increase (Decrease) in Common Stock		
41. Increase (Decrease) in Preferred Stock		
42. Increase (Decrease) in Paid in Surplus		
43. Increase (Decrease) in Contributed Capital		
44. Increase (Decrease) in Retained Earnings:		
45. Net Income (Loss)	25,121	267,241
46. Dividends to Stockholders		
47. Aggregate Write-Ins for Changes in Retained Earnings	0	0
48. Aggregate Write-Ins for Changes in Other Net Worth Items	69,986	74,985
49. NET WORTH END OF PERIOD (Items 38 to 48)	4,420,004	4,420,004

## STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.

## REPORT #2: REVENUE, EXPENSES AND NET WORTH

1	2	3
	Current Period	Year-to-Date
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 10 FOR OTHER REVENUES</b>		
1001. Other Business - Administration Fees	1,243,130	4,854,047
1002. Less: Other Business Compensation	-746,691	-2,944,841
1003. Less: Other Business Occupancy, Depreciation, & Amortization	-109,993	-436,292
1004. Less: Other Business General & Administrative	-586,292	-2,201,523
1005. Less: Other Business Interest Expense	-60,563	-188,603
1006. Other Business - Interest Income	978	2,968
1098. Summary of remaining write-ins for Item 10 from overflow page	160,418	779,092
1099. TOTALS (Items 1001 thru 1006 plus 1098)	-99,013	-135,152
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 23 FOR OTHER MEDICAL AND HOSPITAL EXPENSES</b>		
2301.		
2302.		
2303.		
2304.		
2305.		
2306.		
2398. Summary of remaining write-ins for Item 23 from overflow page		
2399. TOTALS (Items 2301 thru 2306 plus 2398)	0	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 31 FOR OTHER ADMINISTRATIVE EXPENSES</b>		
3101. Other Administrative Expenses	116,756	457,167
3102.		
3103.		
3104.		
3105.		
3106.		
3198. Summary of remaining write-ins for Item 31 from overflow page		
3199. TOTALS (Items 3101 thru 3106 plus 3198)	116,756	457,167
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 47 FOR CHANGES IN RETAINED EARNINGS</b>		
4701.		
4702.		
4703.		
4704.		
4705.		
4706.		
4798. Summary of remaining write-ins for Item 47 from overflow page		
4799. TOTALS (Items 4701 thru 4706 plus 4798)	0	0
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 48 FOR CHANGES OF OTHER NET WORTH ITEMS</b>		
4801. Unrealized gain on available for sale securities	69,986	74,985
4802.		
4803.		
4804.		
4805.		
4806.		
4898. Summary of remaining write-ins for Item 48 from overflow page		
4899. TOTALS (Items 4801 thru 4806 plus 4898)	69,986	74,985

**REPORT #3: STATEMENT OF CASH FLOWS**

1	2	3
	Current Period	Year-to-Date
<b>CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>		
1. Group/Individual Premiums/Capitation	1,329,099	4,722,502
2. Fee-For-Service		
3. Title XVIII - Medicare Premiums		
4. Title XIX - Medicaid Premiums		
5. Investment and Other Revenues	-98,963	-134,837
6. Co-Payments, COB and Subrogation		
7. Medical and Hospital Expenses	-553,639	-2,598,950
8. Administration Expenses	-338,348	-1,727,808
9. Federal Income Taxes Paid	51,603	-67,768
10. Interest Paid	-5,266	-16,401
11. NET CASH PROVIDED BY OPERATING ACTIVITIES	384,486	176,738
<b>CASH FLOW PROVIDED BY INVESTING ACTIVITIES</b>		
12. Proceeds from Restricted Cash and Other Assets		
13. Proceeds from Investments	-39,976	-553,991
14. Proceeds for Sales of Property, Plant and Equipment		
15. Payments for Restricted Cash and Other Assets	-1,841	179,159
16. Payments for Investments	-32,146	-103,561
17. Payments for Property, Plant and Equipment	-42,846	-877,644
18. NET CASH PROVIDED BY INVESTING ACTIVITIES	-116,809	-1,356,037
<b>CASH FLOW PROVIDED BY FINANCING ACTIVITIES:</b>		
19. Proceeds from Paid in Capital or Issuance of Stock		
20. Loan Proceeds from Non-Affiliates	-184,000	-150,212
21. Loan Proceeds from Affiliates		
22. Principal Payments on Loans from Non-Affiliates	-26,069	619,021
23. Principal Payments on Loans from Affiliates		
24. Dividends Paid		
25. Aggregate Write-Ins for Cash Provided by Financing Activities	-13,409	-55,830
26. NET CASH PROVIDED BY FINANCING ACTIVITIES	-223,478	412,979
27. NET INCREASE (DECREASE) IN CASH (Items 11, 18 & 26)	44,199	-766,320
28. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER	1,342,244	2,152,763
29. CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER	1,386,443	1,386,443
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
30. Net Income	25,121	267,241
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>		
31. Depreciation and Amortization	135,735	414,649
32. Decrease (Increase) in Receivables	107,379	34,076
33. Decrease (Increase) in Prepaid Expenses	47,849	-14,378
34. Decrease (Increase) in Affiliate Receivables	85,006	-199,227
35. Increase (Decrease) in Accounts Payable	-98,331	-325,812
36. Increase (Decrease) in Claims Payable and Shared Risk Pool	153,980	66,500
37. Increase (Decrease) in Unearned Premium	27,687	-18,080
38. Aggregate Write-Ins for Adjustments to Net Income	-99,940	-48,231
39. TOTAL ADJUSTMENTS (Items 31 through 38)	359,365	-90,503
40. NET CASH PROVIDED BY OPERATING ACTIVITIES (Item 30 adjusted by Item 39 must agree to Item 11)	384,486	176,738
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 25 FOR CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>		
2501. Payments on Capitalized Lease	-13,409	-52,662
2502. Debt Issuance costs	0	-3,168
2503.		
2598. Summary of remaining write-ins for Item 25 from overflow page		
2599. TOTALS (Items 2501 thru 2503 plus 2598)	-13,409	-55,830
<b>DETAILS OF WRITE-INS AGGREGATED AT ITEM 38 FOR ADJUSTMENTS TO NET INCOME</b>		
3801. Reserve for professional fees withheld	-73,422	-103,827
3802. Accrued payroll and related taxes	-51,530	-42,481
3803. Income taxes payable	-32,184	-13,172
3898. Summary of remaining write-ins for Item 38 from overflow page	57,196	111,249
3899. TOTALS (Items 3801 thru 3803 plus 3898)	-99,940	-48,231

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**REPORT #4: ENROLLMENT AND UTILIZATION TABLE****TOTAL ENROLLMENT**

1 Source of Enrollment	2 Total Enrollees At End of Previous Period	3 Additions During Period	4 Terminations During Period	5 Total Enrollees at End of Period	6 Cumulative Enrollee Months for Period	Total Member Ambulatory Encounters for Period			10 Total Patient Days Incurred	11 Annualized Hospital Days/1000	12 Average Length of Stay
						7 Physicians	8 Non-Physicians	9 Total			
1. Group (Commercial)	81,639	1,893	2,689	80,843	246,156	4,720	0	4,720		0	
2. Medicare Risk	207	11	0	218	637	3	0	3		0	
3. Medi-Cal Risk	0	0	0	0	0	0	0	0			
4. Individual	0	0	0	0	0	0	0	0			
5. Point of Service	0	0	0	0	0	0	0	0			
6. Aggregate write-ins for Other	0	0	0	0	0	0	0	0	0		
7. Total Membership	81,846	1,904	2,689	81,061	246,793	4,723	0	4,723	0	0	
DETAILS OF WRITE-INS AGGREGATED AT ITEM 6 FOR OTHER SOURCES OF ENROLLMENT											
601. Small Group				0				0			
602. Healthy Families				0				0			
603. AIM				0				0			
604. Medicare Cost				0				0			
605. ASO				0		N/A	N/A	N/A	N/A	N/A	N/A
606. PPO				0				0			
607.				0				0			
608.				0				0			
609.				0				0			
610.				0				0			
611.				0				0			
612.				0				0			
Summary of remaining write-ins for											
698. Item 6 from overflow page				0				0			
Totals (lines 601 through 612 plus											
699, 698) (Line 6 above)	0	0	0	0	0	0	0	0	0		

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**SCHEDULE A-1 (CASH)**

1	2	3
Name of Depository (List all accounts even if closed during the period)	Account Number	Balance*
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9. Total Cash on Deposit		0
10. Cash on Hand (Petty Cash)		
11. Total Cash on Hand and on Deposit (Report #1, Part A, Line 1)		0

**SCHEDULE A-2 RESTRICTED ASSETS**

1	2	3
Name of Depository (List all accounts even if closed during period)	Account Number	Balance*
12. Union Bank of California		50,000
13. Insurance Policy		27,053
14. Union Bank of California		15,000
15.		
16.		
17.		
18.		
19. Total Restricted Assets		92,053

\* Indicate the Balance Per the HMO's Records

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## STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.

**SCHEDULE C - PREMIUMS RECEIVABLE (Other than Affiliates)**

Individually list all debtors (commercial only) with account balances greater than 5% of gross Premiums Receivable. Group the total of all other premiums receivables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed."

	1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Total
1.						0
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.						0
16.						0
17.						0
18.						0
19.						0
20.						0
21.						0
22.						0
23.						0
24.						0
25.						0
26.						0
27.						0
28.						0
29.						0
30.						0
31.						0
32.						0
33.						0
34.						0
35.						0
36.						0
37.						0
38.						0
39.						0
40.						0
41.						0
42.						0
43.						0
44.						0
45.						0
46.						0
47.						0
48.						0
49.						0
50.						0
51.						0
52.						0
53.						0
54.	Aggregate Accounts Not Individually Listed					0
55.	Total	0	0	0	0	0

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Annual Only

## STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.

**SCHEDULE D**  
**HEALTH CARE RECEIVABLES &**  
**AMOUNTS DUE FROM PARENT, SUBSIDIARIES, AND AFFILIATES**

Individually list all debtors with account balances greater than 10% of gross Receivables. Group the total of all other receivables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed."

	1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Total
1.	The Eye Care Network, Inc.	2,861	199,943	55,082	0	257,886
2.	Admin fees Insurance Carrier	115,805	0	0	0	115,805
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.						0
16.						0
17.						0
18.						0
19.						0
20.						0
21.						0
22.						0
23.						0
24.						0
25.						0
26.						0
27.						0
28.						0
29.						0
30.						0
31.						0
32.						0
33.						0
34.						0
35.						0
36.						0
37.						0
38.						0
39.						0
40.						0
41.						0
42.						0
43.						0
44.						0
45.						0
46.						0
47.						0
48.						0
49.						0
50.						0
51.						0
52.						0
53.						0
54.	Aggregate Accounts Not Individually Listed	283,041				283,041
55.	Total	401,707	199,943	55,082	0	656,732

\*\*

## STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.

## SCHEDULE F - ACCOUNTS PAYABLE

Individually list all creditors with account balances greater than 5% of total trade accounts payable. Group the total of all other payables and enter the total on the line titled, "Aggregate Accounts Not Individually Listed - Due." Report accounts payable from the initial date of billing or due date under contract.

1	2	3	4	5	6	7
Name of Debtor	1-30 Days	31-60 Days	61-90 Days	91-120 Days	Over 120 Days	Total
1.						0
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.						0
16.						0
17.						0
18.						0
19.						0
20.						0
21.						0
22.						0
23.	Aggregate Accounts Not Individually Listed - Due					0
24.	Total	0	0	0	0	0

\*\*

**SCHEDULE G - UNPAID CLAIMS ANALYSIS**  
**SECTION I - CLAIMS UNPAID**

	1	2	3
Type of Claim	Reported Claims in Process of Adjustment	Estimated Incurred but Unreported	Total - Unpaid Claims (Columns 4+5 of Section II)
1. Inpatient Claims			0
2. Physician Claims	135,712	293,288	429,000
3. Referral Claims			0
4. Other Medical			0
5. TOTAL	135,712	293,288	429,000

**SECTION II - ANALYSIS OF CLAIMS UNPAID - PREVIOUS YEAR (FILE ANNUAL ONLY)**

1 Type of Claim	Claims Paid During the Fiscal Year		Unpaid Claims During the Fiscal Year		6 Total Claims (Paid and Unpaid) for the Previous Fiscal Year (2+4)	7 Estimated Liability of Unpaid Claims Prior to the first day of the Prior Year
	2 On Claims Incurred Prior to the first day of the Current Fiscal Year	3 On Claims Incurred During the Fiscal Year	4 On Claims Unpaid Prior to the first day of the Previous Fiscal Year	5 On Claims Incurred During the Year		
6. Inpatient Claims					0	
7. Physician Claims					0	
8. Referral Claims					0	
9. Other Medical					0	
10. TOTAL	0	0	0	0	0	0

**SECTION III - INVENTORY OF CLAIMS TO BE PROCESSED\***

1 Month Ending	2 Beginning Balance Number of Claims in inventory on the 1st of each month	3 Add - Claims Received during the month	4 Deduct - Claims paid during the month	5 Deduct - Claims denied during the month	6 Add/Deduct - Adjustments	7 Ending Balance Number of claims in inventory at the end of the month
11. December 31, 2003	931	2,299	1,792	178	0	1,260
13. November 30, 2003	890	2,064	1,854	169	0	931
14. October 31, 2003	996	2,697	2,648	155	0	890
15. September 30, 2003	894	2,559	2,331	126	0	996
16. August 31, 2003	839	2,440	2,169	216	0	894
17. July 31, 2003	869	2,594	2,440	184	0	839
18. June 30, 2003	555	2,599	2,094	191	0	869
19. May 31, 2003	280	2,552	2,111	166	0	555
20. April 30, 2003	280	2,289	2,038	251	0	280
21. March 31, 2003	280	2,221	2,139	82	0	280
22. February 28, 2003	278	2,201	1,995	204	0	280
23. January 31, 2003	775	2,351	2,649	199	0	278

\* Describe any significant changes reported on Schedule G, Section III in the Supplemental Schedule (Page 2).

\*\*

**STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.**

**SCHEDULE H - AGING OF ALL CLAIMS**

Age all claims on hand at the end of each month. Use the date of receipt to determine the number of days the claims is outstanding. The amount reported in Column 6 should equal the amount Reported on Schedule G, Section III, Column 7.

	1	2	3	4	5	6
1.	Month Ending	1-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
2.	December 31, 2003	1,259	1	0	0	1,260
3.	November 30, 2003	925	6	0	0	931
4.	October 31, 2003	890	0	0	0	890
5.	September 30, 2003	994	2	0	0	996
6.	August 31, 2003	892	1	1	0	894
7.	July 31, 2003	837	2	0	0	839
8.	June 30, 2003	866	2	1	0	869
9.	May 31, 2003	554	1	0	0	555
10.	April 30, 2003	279	0	0	1	280
11.	March 31, 2003	277	1	1	1	280
12.	February 28, 2003	278	1	0	1	280
13.	January 31, 2003	278	0	0	0	278

\*\*



**STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.**

**SCHEDULE I - ANALYSIS OF TOTAL MEDICAL LIABILITY TO ACTUAL CLAIMS PAID**

Using the Plan's Lag Tables, complete the following table. Provide claim information the current quarter and the previous seven quarters. An actuarial certification may be submitted in lieu of this schedule.

Reported Accrual				
1	2	3	4	5
Quarter Ending Date	Total Medical Liability*	Amount Paid-To-Date	Difference - Column (2-3)	Outstanding Liability (Based on plan's lag)
1. December 31, 2003	429,000	XXX	429,000	
2. September 30, 2003	275,020	316,376	-41,356	
3. June 30, 2003	332,901	300,906	31,995	
4. March 31, 2003	300,180	256,709	43,471	
5. December 31, 2002	362,500	283,443	79,057	
6. September 30, 2002	418,763	259,478	159,285	
7. June 30, 2002	470,149	259,653	210,496	
8. March 31, 2002	422,224	260,380	161,844	

\* Should tie to Report #1, Part B, Columns 1 & 2, Lines 3 through 7.

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NOTES TO FINANCIAL STATEMENTS	
1.	SEE ATTACHED WORD DOCUMENT
2.	
3.	
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OVERFLOW PAGE FOR WRITE-INS	
1.	<b>Report # 1: Part B - Liabilities and Net Worth</b>
2.	<b>Details of Write-Ins Aggregated at Item 11 for Current Liabilities</b>
3.	
4.	<b>Current Period</b>
5.	1105. Accrued Interest exp. Payable \$ 19,677
6.	1106. Deferred Compensation Incentive - current 44,825
7.	1107. Other Accrued Liabilities 111,000
8.	1198. Summary of remaining write-ins for item 11 Total: \$ 175,502
9.	
10.	
11.	
12.	<b>Report #2: Revenue, Expenses and Net Worth</b>
13.	<b>Details of Write-Ins Aggregated at Item 10 for Other Revenues</b>
14.	
15.	<b>Current Period</b>
16.	1007. Misc. Income \$ 44,009
17.	1008. Other Business - Premiums 452,695
18.	1009. Other Business - Marketing -108,290
19.	1010. Other Business - Professional Services -227,996
20.	1098. Summary of remaining write-ins for item 10 Total: \$ 160,418
21.	
22.	<b>Year-To-Date</b>
23.	1007. Misc. Income \$ 152,948
24.	1008. Other Business - Premiums 1,614,589
25.	1009. Other Business - Marketing -195,380
26.	1010. Other Business - Professional Services -793,065
27.	1098. Summary of remaining write-ins for item 10 Total: \$ 779,092
28.	
29.	
30.	<b>Report #3: Statement of Cash Flows (Direct Method)</b>
31.	<b>Details of Write-Ins Aggregated at Item 38 for Adjustments to Net Income</b>
32.	
33.	<b>Current Period</b>
34.	3898. Deferred Rent \$ 0
35.	Deferred Compensation Liability 32,146
36.	Deferred Compensation Restricted -1,350
37.	Other Accrued Liabilities 26,400
38.	Loss on Disposal of Assets 0
39.	Total: \$ 57,196
40.	
41.	
42.	
43.	<b>Year-To-Date</b>
44.	3898. Deferred Rent \$ -7,403
45.	Deferred Compensation Liability 103,561
46.	Deferred Compensation Restricted -55,525
47.	Other Accrued Liabilities 63,000
48.	Loss on Disposal of Assets 7,616
49.	Total: \$ 111,249
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## STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.

**KNOX-KEENE**  
**SUPPLEMENTAL INFORMATION**  
**PURSUANT TO SECTIONS 1300.84.06, 1300.84.2 AND 1374.68**

	1	2	3	4	5
<b>A.</b>	<b>Explanation of the method of calculating the provision for incurred and unreported claims:</b>				
1.					
<b>B.</b>	<b>Accounts and Notes Receivable from officers, directors, owners or affiliates, as detailed below:</b>				
	<u>Name of Debtor</u>	<u>Nature of Relationship</u>	<u>Nature of Receivable</u>	<u>Amount</u>	<u>Terms</u>
2.	The Eye Care Network	Affiliate	Accounts Receivable	257,886	Payable on the
3.			arising in the normal		same terms as
4.			course of business due to		equivalent trans-
5.			Administration Service		actions with
6.			Agmt.		non-affiliates.
<b>C.</b>	<b>Donated materials or services received by the reporting entity for the period of the financial statements, as detailed below:</b>				
	<u>Donor's Name</u>	<u>Affiliation with Reporting Entity</u>	<u>Valuation Method</u>	<u>Amount</u>	
7.					
8.	None				
9.					
10.					
11.					
<b>D.</b>	<b>Forgiven debt or obligations, as detailed below:</b>				
	<u>Creditor's Name</u>	<u>Affiliation with Reporting Entity</u>	<u>Summary of How Obligation Arose</u>	<u>Amount</u>	
12.					
13.	None				
14.					
15.					
<b>E.</b>	<b>Calculation of Tangible Net Equity (TNE) and Required TNE in accordance with Section 1300.76 of the Rules:</b>				
16.	Net Equity			\$	4,420,004
17.	Add: Subordinated Debt			\$	
18.	Less: Receivables from officers, directors, and affiliates			\$	257,886
19.	Intangibles			\$	
20.	Tangible Net Equity (TNE)			\$	4,162,118
21.	Required Tangible Net Equity (See Page 22)			\$	213,236
22.	TNE Excess (Deficiency)			\$	3,948,882
<b>F.</b>	<b>Percentage of administrative costs to revenue obtained from subscribers and enrollees:</b>				
23.	Revenue from subscribers and enrollees			\$	1,194,033
24.	Administrative Costs			\$	446,117
25.	Percentage				37
26.	The amount of health care expenses incurred during the six month period immediately preceding the date of the report which were or will be paid to noncontracting providers or directly reimbursed to subscribers and enrollees:			\$	0
27.	Total costs for health care services for the immediately preceding six months:			\$	1,335,804
28.	Percentage				0

		1
<p>G. If the amount of health care expenses incurred during the six month period immediately preceding the date of the report which <u>were or will be</u> paid to noncontracting providers or directly reimbursed to subscribers and enrollees exceeds 10% of the total costs for health care services for the immediately preceding six months, the following information, determined as of the date of the reports, shall be provided:</p>		
29. Amount of all claims for noncontracting provider services received for reimbursement but not yet processed:	\$	0
30. Amount of all claims for noncontracting provider services denied for reimbursement during the previous 45 days:	\$	0
31. Amount of all claims for noncontracting provider services approved for reimbursement but not yet paid:	\$	0
32. An estimate of the amount of claims for noncontracting provider services incurred, but not reported:	\$	0
33. Compliance with Section 1377(a) as determined in accordance with such section, as follows:		
34. Cash & cash equivalents maintained	\$	0
35. Noncontracting provider claims (aggregate of total of items 29 - 32 above)	\$	0
36. Cash & cash equivalents reported to be maintained (120% x Line 35)	\$	0
37. Deposit required (100% of Line 36)	\$	0
38. Excess (deficient) reserves (Line 34 - Line 37)	\$	0
Percentage of premium revenue earned from point-of-service plan contracts:		
39. Premium revenue earned from point-of-service plan contracts	\$	0
40. Total premium revenue earned	\$	0
41. Percentage		0
Percentage of total health care expenditures incurred for enrollees for out-of-network services for point-of-service enrollees:		
42. Health care expenditures for out-of-network services for point-of-service enrollees	\$	0
43. Total health care expenditures	\$	0
44. Percentage		0
45. Point-of-Service Enrollment at end of period		0
Total Ambulatory encounters for period for point-of-service enrollees:		
46. Physician		0
47. Non-Physician		0
48. Total		0
49. Total Patient Days Incurred for Point-of-Service enrollees		0
50. Annualized Hospital Days/1000 for Point-of-Service enrollees		0
51. Average Length of Stay for Point of Service enrollees		0
52. Compliance with Section 1374.68(a) as follows:		
53. Current Monthly Claims Payable for out-of-network coverage or services provided under Point-of-Service Contracts:	\$	0
54. Current monthly incurred but not reported claims balance for out-of-network coverage or services provided under Point-of-Service contracts	\$	0
55. Total	\$	0
56. Total times 120%	\$	0
57. Deposit (Greater of Line 56 or minimum of \$200,000)	\$	0

**STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.**

**REQUIRED TANGIBLE NET EQUITY (TNE) CALCULATION:**

TNE required must be equal to the GREATER of "A" "B" or "C" below (See Rule 1300.76)

		Full Service Plans		Specialized Plans	
		1		2	
<b>A.</b>	Minimum TNE Requirement	\$ 1,000,000		\$ 50,000	
<b>B.</b>	REVENUES:				
1.	2% of the first \$150 million of annualized premium revenues	\$		\$	94,130
	Plus				
2.	1% of annualized premium revenues in excess of \$150 million	\$		\$	0
3.	Total	\$	0	\$	94,130
<b>C.</b>	HEALTHCARE EXPENDITURES:				
4.	8% of the first \$150 million of annualized health care expenditures, except those paid on a capitated or managed hospital basis.	\$		\$	213,236
	Plus				
5.	4% of annualized health care expenditures in excess of \$150 million except those paid on a capitated or managed hospital payment basis.	\$		\$	0
	Plus				
6.	4% of the annualized hospital expenditures paid on a managed hospital payment basis.	\$		\$	0
7.	Total	\$	0	\$	213,236
8.	Required "TNE" - Greater of "A" "B" or "C"	\$		\$	213,236

**KNOX -KEENE  
SUPPLEMENTAL INFORMATION  
PURSUANT TO SECTIONS 1374.64**

**POINT OF SERVICE TANGIBLE NET EQUITY CALCULATION**

Calculation of Tangible Net Equity and required Tangible Net Equity in accordance with Section 1374.64:

	1	
1. Net Equity	\$	4,420,004
2. Add: Subordinated Debt	\$	
3. Less: Receivables from officers, directors, and affiliates	\$	
4. Intangibles	\$	
5. Tangible Net Equity (TNE)	\$	4,420,004
6. Required Tangible Net Equity (From Line 10 or 13 below)	\$	
7. TNE Excess (Deficiency)	\$	4,420,004
<b>ADJUSTED MINIMUM TANGIBLE NET EQUITY CALCULATION (Complete Section I or II):</b>		
<b>I. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(1) or (2):</b>		
8. Minimum TNE as calculated under Rule 1300.76 (a)(1) or (2)	\$	
9. 10% of annualized health care expenditures for out-of-network service for point-of-service enrollees	\$	
10. Add lines 8 and 9	\$	0
<b>II. Plan is required to have and maintain TNE as required by Rule 1300.76 (a)(3):</b>		
<b><u>PART A</u></b>		
11. Minimum TNE as recalculated to exclude annualized healthcare expenditures for out-of-network services for point-of-service enrollees (attach worksheet Page 24)	\$	
12. 10% of annualized health care expenditures for out-of-network services for point-of-service enrollees	\$	
13. Add lines 11 and 12	\$	0
<b>III. MINIMUM TNE REQUIREMENT TO DETERMINE MONTHLY REPORTING</b>		
14. Line 5 (above)	\$	4,420,004
15. Multiply Line 6 (above) by 130%	\$	0
16. Difference (Line 14 - Line 15)	\$	4,420,004
<b>If Line 14 is less than Line 15, then monthly reporting is required</b>		

## STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.

## WORKSHEET FOR ADJUSTED TANGIBLE NET EQUITY CALCULATION

	1 Full Service Plans	2 Specialized Plans
1. Health care expenditures for period	\$ <input type="text"/>	\$ <input type="text"/>
Less:		
2. Capitated or managed hospital payment basis expenditures	<input type="text"/>	<input type="text"/>
3. Health care expenditures for out-of-network services for point-of-service enrollees	<input type="text"/>	<input type="text"/>
4. Result	<input type="text" value="0"/>	<input type="text" value="0"/>
5. Annualized	<input type="text"/>	<input type="text"/>
6. Reduce to maximum of \$150 million	<input type="text"/>	<input type="text"/>
7. Multiply by 8%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
8. Annualized health care expenditures except those paid on a capitated or managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
9. Less \$150 million	<input type="text"/>	<input type="text"/>
10. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
Plus		
11. Annualized hospital expenditures paid on a managed hospital payment basis and excluding health care expenditures for out-of-network services for point-of-service enrollees	\$ <input type="text"/>	\$ <input type="text"/>
12. Multiply by 4%	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>
13. Total	\$ <input type="text" value="0"/>	\$ <input type="text" value="0"/>



**STATEMENT AS OF 12-31-2003 OF 933-0359 MEDICAL EYE SERVICES, INC.**

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